Exhibit NSTAR-JFL

NSTAR ELECTRIC

Direct Testimony of Joseph F. Lanzel

Exhibit NSTAR-JFL

D.T.E. 02-80

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Joseph F. Lanzel. My business address is 800 Boylston Street, Boston, MA 02199.

Q. By whom are you employed and in what capacity?

A. I am Director of Regulatory Requirements for the regulated operating companies of NSTAR. In this capacity, I am responsible for all regulatory filings concerning the financial requirements of Boston Edison Company ("Boston Edison"), Cambridge Electric Light Company ("Cambridge"), Commonwealth Electric Company ("Commonwealth") (collectively, "NSTAR Electric" or the "Companies") and NSTAR Gas Company ("NSTAR Gas").

Q. Please briefly summarize your educational background and business experience.

A. I have a Bachelor of Science degree in Electrical Engineering from the University of Pittsburgh and a Masters Degree in Business Administration with a specialization in finance from the University of Chicago. From 1990 to 1999, I worked in the oil and gas industry with Atlantic Richfield Company, where I held various financial positions. I was hired by NSTAR in March of 1999 as Manager of Long Range Planning. Subsequently, I held the position of Director, Financial and Strategic Planning, and in June of 2002, I assumed my current position as Director of Regulatory Requirements.

Q. Please describe your present responsibilities.

A. As Director of Regulatory Requirements, I am responsible for directing the preparation of financial data required for rate case filings and serve as the revenue requirement witness. My responsibilities currently include, among a variety of other financial services, the reconciliation of the NSTAR Electric's Transition Charge that forms the basis of my testimony today.

Q. Have you previously testified before the Department of Telecommunications and Energy (the "Department") or any other regulatory body?

A. No. This is the first time I have testified before the Department or any other regulatory body. In preparation for this testimony, I have reviewed past Department orders relative to transition costs and their recovery, with particular attention to the prior decisions affecting Boston Edison, Cambridge and Commonwealth. I have also reviewed each company's prior transition charge filings and am familiar with the provisions of Chapter 164 of the Acts of 1997 (the "Act"), which gave rise to these filings. I also participated heavily in the discussions that led to the settlement in D.T.E. 01-78.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. This testimony addresses the transition charge filing for all three NSTAR Electric retail electric companies, Boston Edison, Cambridge and Commonwealth. Section 1A(a) of the Act requires the Department to review and to reconcile the difference between projected transition costs and actual transition costs periodically.

Boston Edison's Restructuring Settlement, as approved in D.P.U./D.T.E. 96-23, requires an annual reconciliation to coincide with the implementation of new rates (Restructuring Settlement, § V.E.). Similarly, Cambridge and Commonwealth's Restructuring Plan, as approved by the Department in D.P.U./D.T.E. 97-111, also requires an annual reconciliation to coincide with the implementation of new rates.

My testimony provides a description of the methodology used by NSTAR Electric to reconcile the forecast of Transition Charge revenues for the period January 1, 2002 through December 31, 2002. This includes information concerning Transition Charge revenues and costs for 2002 using actual data, where available, and forecast data for the remainder of the year. The results of this reconciliation are reflected in Exhibits BEC-JFL-1, CAM-JFL-1 and COM-JFL-1, which are supported by Exhibits BEC-JFL-2, CAM-JFL-2 and COM-JFL-2. These exhibits are used to calculate the proposed 2003 average Transition Charge.

As with last year's filing, the Companies anticipate making a supplemental filing in the Spring of 2003, once the accounting for the year 2002 has been completed and actual amounts are known. At that time, actual 2002 information will be available to reconcile 2002 Transition Charges.

Finally, my testimony provides a reconciliation of retail transmission costs and revenues and calculates the proposed 2003 average retail transmission rate. This is reflected in Exhibits BEC-JFL-3, CAM-JFL-3 and COM-JFL-3.

Q. **Please describe the format of this year's reconciliation filing.**

A. In this year's reconciliation filing, NSTAR Electric has combined all three Companies into one unified filing. In prior years, the Companies filed two separate reconciliation filings, one for Boston Edison and a second, which addressed Cambridge and Commonwealth. The change to a combined filing was made because NSTAR Electric operates as one company for purposes of securing supply services for both Standard Offer and Default Service customers. The reconciliation of the costs and revenues for supply services is an integral part of this filing and affects other rate elements in this case.

I will use the following conventions in this filing; the term NSTAR Electric will refer to all three companies in cases where there is common treatment of a particular issue. In cases where there are issues that are unique to a particular company, I will specify a company name. The supporting exhibits start with a three-letter designator denoting the company; "BEC" for Boston Edison, "CAM" for Cambridge or "COM" for Commonwealth. My testimony below follows a similar convention. When I am discussing items common to all three companies, I use the term NSTAR Electric or the Companies and will refer to all three exhibits instead of a specific company name, (e.g., the "JFL-1 Exhibits" to refer to Exhibits BEC-JFL-1, CAM-JFL-1 and COM-JFL-1). In cases where I am discussing things unique to a particular company, I will use the company name and will refer to an exhibit using that company's specific identifier, (e.g., Exhibit BEC-JFL-1). Wherever possible, we have reformatted schedules to make them consistent from company to company and to simplify the review process.

Additionally, historical information for the years 1998–2001 is no longer supplied since they have no bearing on the current filing other than to confirm the beginning balance. I would note that the beginning balances for Cambridge and Commonwealth are based on those companies latest supplemental filings submitted in D.T.E. 01-79, which is still pending before the Department. Any changes made to those beginning balances will be reconciled appropriately.

Q. Please describe the primary exhibits included as attachments to your testimony.

A. I have included three exhibits for each company to develop the Company's preliminary reconciliation of Transition and Transmission Charge revenues and costs for the period January 1, 2002 through December 31, 2002 and to calculate the Company's proposed Transition and Transmission Charges for calendar year 2003. These three exhibits are:

Exhibit BEC-JFL-1
Exhibit CAM-JFL-1
Exhibit COM-JFL-1

Three multi-page exhibits that summarize the development of the companies' proposed Transition Charge for 2003 and the preliminary reconciliation of Transition Charge revenues for the period January 1, 2002 through December 31, 2002.

Exhibit BEC-JFL-2

An eight-page exhibit for Boston Edison that summarizes the revenue credits and damages, costs or net recoveries from claims. The effect of these adjustments is reflected in Exhibit BEC-JFL-1, Page 4, Column F. These adjustments include Pilgrim-related adjustments, credit for the sale of real estate, determination of a Wholesale Revenue Credit, securitization true-up, carrying charge adjustment due to BETG over-investment, and an Everett property tax credit.

Exhibit CAM-JFL-2
Exhibit COM-JFL-2

Two multi-page exhibits that calculate the Fixed Component of the transition charge for Cambridge and Commonwealth. The total fixed component is summarized on page one of this Exhibit and carried forward to page 3 of the respective Exhibit CAM-JFL-1 or COM-JFL-1.

Exhibit BEC-JFL-3
Exhibit CAM-JFL-3
Exhibit COM-JFL-3

Three one-page exhibits that summarize the development of the companies' proposed Transmission Charge for 2003 and the preliminary reconciliation of Transmission Charge revenues for the period January 1, 2002 through December 31, 2002.

III. BACKGROUND OF NSTAR ELECTRIC'S TRANSITION CHARGES

Q. What is the purpose of NSTAR Electric's Transition Charges?

A. As approved by the Department as part of Boston Edison's Restructuring Settlement, D.P.U./D.T.E. 96-23, and separately in Cambridge and Commonwealth's Restructuring Plan, approved by the Department in D.P.U./D.T.E. 97-111, and as set forth in the Act, the Transition Charge recovers the above-market costs of generation-related investments and obligations that electric companies have undertaken to provide service to their customers under traditional utility regulation. The Act authorizes and directs the Department to allow any approved transition costs to be recovered from customers through a non-bypassable Transition Charge collected by the distribution company providing service to such customers. G.L. c. 164, § 1G(e).

Q. What is the history of NSTAR Electric's Transition Charge?

A. With Department approval, the NSTAR Electric has instituted the following transition charges on the dates indicated.

Effective Date	Boston Edison (per kilowatt-hour ("kWh")	Cambridge (per kWh	Commonwealth (per kWh
March 1, 1998	$0.03510	$0.02730	$0.04080
June 1, 1998	$0.03030	$0.02730	$0.04080
January 1, 1999	$0.02760	$0.01447	$0.03159
September 1, 1999	$0.02546	$0.01224	$0.02998
January 1, 2000	$0.01891	$0.00294	$0.02856
January 1, 2001	$0.01397	$0.01445	$0.03028
January 1, 2002	$0.01628	$0.01139	$0.03030

Q. What is NSTAR Electric's proposed Transition Charges for the year 2003?

A. The proposed average Transition Charges are: $0.01840 per kWh for Boston Edison; $0.00200 per kWh for Cambridge; and $0.02749 per kWh for Commonwealth. Each of these charges is to become effective on January 1, 2003.

Q. Are there any notable differences between the methodology used to compute NSTAR Electric's proposed Transition Charge for 2003 and the methodology that was used in prior years?

A. The basic methodology continues to follow very closely the methodology employed in last year's reconciliation filings.

IV. CALCULATION OF THE PROPOSED TRANSITION CHARGE

Q. Please describe the categories of transition costs.

A. NSTAR Electric's transition costs for each electric company consists primarily of two components: (1) a Fixed Component and (2) a Variable Component. For Boston Edison, the Fixed Component includes the principal and interest payments for the securitized unrecovered net book value of Boston Edison's generation plant and generation-related regulatory assets, net of the proceeds from the divestiture of generating facilities, as specified in the Act. For Cambridge and Commonwealth, the Fixed Component includes the amount of unrecovered generation-related plant and regulatory assets, offset by a Residual Value Credit, being collected through 2009 in accordance with their approved Restructuring Plan. The Variable Component primarily includes above-market purchased-power contract costs, payments in lieu of taxes, decommissioning, transmission in support of remote generation, contract buyouts, wholesale credits and miscellaneous costs and net recoveries from claims. I say "primarily" because there are also two other elements of cost, the Transition Charge Mitigation Incentive and interest on the prior year's over (or under) collected balance, that are recovered through the Transition Charge, but that are not clearly assigned to either the Fixed or the Variable Component.

Q. How did NSTAR Electric develop its proposed Transition Charge to become effective on January 1, 2003?

A. The proposed 2002 Transition Charge is developed in the JFL-1 and JFL-2 Exhibits. These exhibits include updated amounts for the Variable Component of the Transition Charge that reflects the most current information available. I should note that the starting point, which is the amount of over- or under-collection for the year 2001 for Boston Edison, is taken directly from Exhibit BEC-BKR-1 (Settlement) that accompanied the Boston Edison settlement agreement in D.T.E. 01-78, Phase II that was approved by the Department on November 14, 2002. For Cambridge and Commonwealth the balance is taken from Exhibit CAM-JFL-1 (Supp 2) and COM-JFL-1 (Supp 2) in D.T.E. 01-79, filed with the Department on November 20, 2002. As shown in the JFL-1 Exhibits, Page 1, the Transition Charge expenses to be recovered in 2003 (column J) are divided by the forecast of 2003 kWh retail deliveries in column B to arrive at the nominal Transition Charge rate shown in column C.

EXHIBITS BEC-JFL-1, CAM-JFL-1 and COM-JFL-1

Q. Please describe the JFL-1 Exhibits.

A. The JFL-1 Exhibits represent the update to the Transition Charge and are made up of the following pages:

Page	Description
1	Transition Charge Calculation for 2003
2	2002 Estimated Transition Revenues
3	Fixed Component – 2003 Update
4	Variable Component – 2003 Update
5	Other Component including Mitigation Incentive
6	Decommissioning (Cambridge and Commonwealth, only)
7	Transmission in Support of Remote Generation (Cambridge and Commonwealth, only)
8 – 11	Mitigation Incentive Calculation (Cambridge and Commonwealth, only)
12	Mitigation Incentive Calculation (Commonwealth only); or
12	Blackstone Credit (Cambridge, only)

Q. Please explain Page 1, the Transition Charge Calculation for 2003.

A. Page 1 is a summary page that compares delivered (billed and unbilled) Transition Charge revenues to actual transition costs to arrive at the annual over- or under-collection for each year. This page begins with the year-end balance for 2001 reflecting the outcome of last year's activity as detailed in each companies' most recent filings, preliminary data for 2002 (ten months actual/two months forecast), and projected data for 2003 and thereafter. Column B shows the actual and forecast gigawatt-hours ("GWh") delivered (both billed and unbilled) for each calendar year. The forecast for 2003 reflects each company's current internal projection of sales. Subsequent years use the 2003 sales forecast, increased by 2 percent per year.

For the year 2003 and after, Column C is calculated by dividing Column J (total expenses) by Column B (GWh delivered). However, in years when a company's ability to recover its costs is limited by the mandated 15 percent bill reduction, the number in Column C is set at the maximum rate that will meet the reduction criteria. The Transition Charge revenues for delivered GWh (Column D) show the forecast Transition Charge revenues for 2002, as calculated on Page 2. For subsequent years, Column D is the same as Column J, reflecting each company's intention that the Transition Charge is set at the level such that projected revenues match projected expenses. Transition Charge expenses, or transition costs, are shown in Columns E through I. The total Fixed Component (Column E) is shown on Page 3. The total Variable Component (Column F) is calculated on Page 4. The Other Component (Column G) (for Cambridge and Commonwealth) and the Incentive Mechanism (Column G) (for Boston Edison) is calculated on Page 5. To these current-year expenses, an adjustment is made for the prior year over- or under-collection (Column H), including interest (Column I) at the Restructuring Settlement's carrying charge rate for Boston Edison or the customer deposit rate for Cambridge and Commonwealth.

The amounts shown on Page 1, Columns E through I, are summed, representing the total actual transition expense, as shown in Column J, to be collected in the current year. Column K compares the revenues in Column D to the expenses in Column J to arrive at the balance of over- or under-collections for the current year. References for each of the columns can be found at the foot of the page.

Q. Please explain Page 2, 2002 Billed and Unbilled Transition Revenues.

A. The 2002 billed revenues reflect ten months of actual revenue taken from each company's general ledger and two months of estimated revenue from the company's current forecast. For Boston Edison, the commercial Transition Charge revenues include the WR rate and Boston Edison's Special Contracts. In order to match billed revenues for 2002 with the revenues associated with kWh delivered during 2002, it is necessary to adjust for unbilled revenues for the end of 2001 with a similar, but opposite, adjustment for the end of 2002. The unbilled revenues for the end of 2001 are estimated using the unbilled kWh and the transition rate for December 2001. These unbilled revenues are deducted from the 2002 billed revenues, and the estimated 2002 unbilled revenues are added to the 2002 billed revenues in order to calculate an appropriate adjustment for revenues for kWh delivered in 2002. The kWh delivered in 2002 are therefore the billed kWh in 2002 less the estimated unbilled kWh at the end of 2001 plus the estimated unbilled kWh at the end of 2002.

Q. Please describe Page 3, Fixed Component.

A. Page 3 is different for Boston Edison than for Cambridge and Commonwealth. Page 3 of Exhibit BEC-JFL-1 shows the amount of Fixed Component obligations resulting from securitization, which was effective July 29, 1999. The total annual Fixed Component reflects the amortization of principal (Column C), the associated interest from the bonds and the administration expense associated with the securitization transaction (Column D). The amounts shown for 2002 and later years are reflected in Exhibit BEC-JFL-1, page 1, Column E.

For Cambridge and Commonwealth, Page 3 of Exhibits CAM-JFL-1 and COM-JFL-1 show the Fixed Component amounts found on Page 1 of Exhibits CAM-JFL-2 and COM-JFL-2, respectively. I will discuss these schedules further below.

Q. Please describe Page 4, Variable Component.

A. The Variable Component is composed of four major elements: (i) above-market costs relating to pre-restructuring purchased-power contracts; (ii) power contract buyout costs; (iii) revenue credits, damages and claims or net recoveries from claims; and (iv) a rate-design adjustment.

For Cambridge and Commonwealth, Page 4 shows the Actual Nuclear Decommissioning (Column B), which is the actual decommissioning cost incurred by each company as detailed on page 6 of the exhibits.

For each company, the above-market purchased-power costs, or Net Power Obligation, reflect the difference between the prices paid for electricity by each of the Companies pursuant to pre-restructuring purchased-power contracts less the market value of the power received from those contracts. Because all of the power was effectively used to supply Standard Offer Service, each of the Companies determined a "transfer price" to account for the market cost of this power. The calculation of the transfer price and the source of the values for 2002 and 2003 are contained in the exhibits accompanying Ms. Pelletier's testimony.

Column F, Transmission in support of remote generation, reflects the actual costs, if any, related to transmitting power from generation that is remote to each of the company's service territory as is detailed on page 7 of the exhibits.

The Actual Purchase Power Contract Buyouts is $0 for Boston Edison because there have been no buyouts of purchase-power contracts in the current year. However, for Cambridge and Commonwealth there is an amount of approximately $2.4 million and $9.6 million respectively for the buyout of the Seabrook power contract, which occurred in November 2002. Commonwealth also includes an amount for the buyout of the CPC Lowell contract, which is being paid out over 54 months.

Column H, Actual Payments in Lieu of Property Taxes is currently used only by Commonwealth to show its 11 percent share of the Pilgrim PILOT payment.

For Boston Edison, Column I, Actual Revenue Credits and Damages, Costs, or Net Recoveries from Claims, includes adjustments for 2002, as set forth in more detail in Exhibit BEC-JFL-2. The adjustments consist of the following: (1) a NEIL insurance refund; (2) Maxey Flats LLC expenses; (3) payments in lieu of property taxes; (4) proceeds from sale of property; (5) wholesale revenue credit; (6) securitization true-up; (7) carrying charge adjustment due to BETG over-investment; and (8) a property tax credit related to the City of Everett. For Cambridge in 2003 Column I includes an approximate $10.5 million credit representing the net proceeds from the sale of the Blackstone Street property. For Commonwealth, this column includes its 11 percent of the Pilgrim NEIL credit discussed above.

Column J, is currently used only for Cambridge to reflect the credit for Belmont generation related revenues.

For all Companies, the Rate Design Adjustment established under the terms of settlement agreements that provide for a class-specific Transition Charge adjustment. The calculation and implementation of this adjustment is contained in the testimony of Mr. LaMontagne. The amounts for 2003 are calculated on the HCL-6 Exhibits. This adjustment is not intended as an actual source of additional revenue, and because the JFL-1 Exhibits set future Transition Charges at levels intended to recover each of the company's costs, it is necessary to remove the aggregate reconciliation impact of the Rate Design Adjustment in the following year. This is done in the column titled Reversal of Prior Year Rate Design Adjustment.

Q. Please explain Page 5, Transition Charge Mitigation Incentive Mechanism on Exhibit BEC-JFL-1.

A. For Boston Edison, pursuant to their Restructuring Settlement, recovery of the Company's Transition Charge Mitigation Incentive begins in 2000. The Transition Charge Mitigation Incentive, which was approved by the Department as part of the Restructuring Settlement, is a small addition to the Transition Charge to provide Boston Edison with a monetary incentive for successful mitigation efforts that reduce the cumulative average Transition Charge below the 1998 level of $0.03510 per kWh. Exhibit BEC-JFL-1, Page 5, computes the mitigation incentive in accordance with the provisions of the Restructuring Settlement. The Transition Charge Mitigation Incentive is carried forward to page 1, column g. Exhibit BEC-JFL-1 ends with page 5.

Q. Please explain Page 5, Other on CAM-JFL-1 and COM-JFL-1.

A. For Cambridge and Commonwealth, Page 5 summarizes the Transition Charge Mitigation Incentive as well as adjustments for EIS return on investment, gains on sale of utility land and other adjustments, if any. The total from page 5 is carried forward to Exhibits CAM-JFL-1 and COM-JFL-1, page 1, column G.

Q. Please continue the explanation of the remaining pages of CAM-JFL-1 and COM-JFL-1.

A. Exhibits CAM-JFL-1 and COM-JFL-1 continue with several more supporting pages that detail the Total Annual Decommissioning Cost and Transmission in Support of Remote Generation, which are carried forward to Page 4, columns B and F respectively. Pages 8 through 11 (and 12 for Commonwealth) follow, which calculate the Fixed and Variable Mitigation Incentives that are summarized on page 5. Additionally, Exhibit CAM-JFL-1 includes a 12th page that details a credit for Blackstone Street costs.

Q. Please explain Page 6, Total Annual Decommissioning Cost on Exhibits CAM-JFL-1 and COM-JFL-1.

A. Page 6, Total Annual Decommissioning Cost details the decommissioning amounts actually incurred through October 2002 and those forecasted to be incurred through the end of life of the indicated units. As a result of the successful sale of Seabrook 1 and Seabrook 2 on November 1, 2002 (Cambridge and Commonwealth) and of Vermont Yankee on June 30, 2002 (Cambridge only), the decommissioning obligation for these units ends in 2002.

Q. Please explain Page 7, Transmission in Support of Remote Generation on Exhibits CAM-JFL-1 and COM-JFL-1.

A. Page 7, Transmission in Support of Remote Generation, details the amounts actually incurred through October 2002 and those forecasted to be incurred through the end of the life of the related contracts. As a result of the sale of

Seabrook on November 1, 2002, the obligation for Seabrook 1 Transmission ends in 2002. Column E, Hydro Quebec Mitigation represents actual amounts received from third parties as a result of each the company's efforts to sell excess capacity in the two Hydro Quebec entitlements on the open market. In accordance with the Department-approved Restructuring Plan, Cambridge and Commonwealth receive a mitigation incentive on these sales as shown on page 5, column F.

Exhibit BEC-JFL-2

Q. Please describe Exhibit BEC-JFL-2.

A. The purpose and format of this schedule are unique to Boston Edison, therefore the following explanations relate solely to Boston Edison's transition charge. Exhibit BEC-JFL-2 is an eight-page schedule that summarizes the revenue credits and damages, costs or net recoveries from claims that are carried forward to Exhibit BEC-JFL-1, Page 4, Column F. These costs (or credits) relate to residual obligations resulting from Boston Edison's former ownership of generation, including Pilgrim Nuclear Power Station ("Pilgrim"), payments in lieu of property taxes and the wholesale revenue credit. The amount of each cost or credit is shown in summary form on page 1.

Q. Please describe the Payments in Lieu of Property Taxes shown in Exhibit BEC-JFL-2, Page 2.

A. In conjunction with the sale of Pilgrim, Boston Edison negotiated a settlement agreement with the Town of Plymouth ("Plymouth") concerning the potential loss of property taxes resulting from the sale. The settlement agreement, which was approved by the Department in Boston Edison Company, D.T.E. 98-53 (1999), requires Boston Edison to make specified payments in addition to or in lieu of property taxes annually through 2012. The amounts shown in Column A represent a combination of actual payments to Plymouth for 2002; future years reflect the required payments to Plymouth under the terms of the settlement agreement. Column B for years prior to 2002 reflected partial reimbursement (if any) to Boston Edison by Entergy (Pilgrim's current owner) of such payments to Plymouth. Such reimbursement by Entergy was offset to the extent that Entergy was separately taxed by Plymouth. Under the agreement with Entergy, there will be no Entergy reimbursement payments beyond fiscal year 2002; however, if such payments are made, Boston Edison will reflect them in its final reconciliation for the year in which they occur. Column C reflects Boston Edison's net payment to Plymouth. In column D, the Contract Customer Share (22 percent) reflects payments that will be made by Boston Edison's two former wholesale contract customers of Pilgrim's output. Column E is the sum of Boston Edison's payment to Plymouth and the Contract Customer Share.

Q. Please explain the Claims and Recoveries shown on Page 3 of Exhibit BEC-JFL-2.

A. Claims and Recoveries consist of three components: (i) Nuclear Electric Insurance Limited ("NEIL") insurance refunds; (ii) Maxey Flats expenses. The

NEIL refund reflects amounts that Entergy has received from NEIL. Under the terms of the Pilgrim Purchase and Sale agreement, Boston Edison is entitled to 85 percent of such refunds. Boston Edison, in turn, refunds 22 percent of its share of refunds to its former contract customers and returns the remaining amounts to its retail customers through this adjustment. These funds have not yet been received, but are required to be paid by Entergy by December 31, 2002. In the event the actual amount received is different, it will be reconciled in the final true up. An estimate for 2003 has been included and will be trued-up as part of next year's reconciliation filing.

Payments for Maxey Flats are actual amounts paid (or received) in 2002. Again, this payment is net of a 22 percent recovery of the total expenses from Boston Edison's former contract customers.

Q. Please explain Page 4, Property Sales.

A. In accordance with the Act and Boston Edison's Restructuring Settlement, the net proceeds of any property sale is to be returned to customers. Since Boston Edison's previous filing, it has not closed any sales of property during 2002. This schedule is intended to show the particulars of any sale including the book value of the property, sale price and transaction costs. Boston Edison is presently engaged in a process designed to sell its La Grange Street property in accordance with the terms of its Restructuring Settlement, Attachment 3 Section 1.4(a) (page 229). Boston Edison anticipates selling the property in 2003 and has included an estimate of net proceeds for the sale of this property, which will be trued-up as part of next year's reconciliation filing.

Q. Please describe Page 5, Wholesale Revenue Credit.

A. The Department's order in D.T.E. 99-107-A (Phase II) required Boston Edison to change the way it determined and recovered costs associated with its wholesale power business. The Department directed Boston Edison to reconcile wholesale costs and revenues in the Transition Charge, rather than through the Standard Offer and Default Service reconciliation. To comply with that directive, Boston Edison removed all wholesale costs and fuel revenues from the Standard Offer and Default Service reconciliation, which is shown on the exhibits to the testimony of Ms. Pelletier. The wholesale supply cost is determined by applying a wholesale/retail ratio to the total cost of power for Standard Offer Service customers. The calculation of this amount is shown on Pages 2 and 8 of Exhibits BEC-RAP-1 and BEC-RAP-2. The Department also required Boston Edison to include a revenue credit of $35.4 million annually in retail distribution rates to reflect demand charges collected from wholesale customers. The Department directed Boston Edison to account for costs and revenues by: (i) removing all costs and fuel revenues associated with wholesale sales from the Standard Offer and Default Service reconciliation; (ii) including those costs in the Transition Charge reconciliation; and (iii) requiring that all wholesale revenues, including those associated with demand payments, be reconciled with wholesale costs. In this way, all mitigation revenues collected from wholesale contracts are credited to retail customers, either through the $35.4 million per year distribution rate credit or through the Transition Charge.

In this filing, the 2002 estimated wholesale revenues and supply costs are established using ten months actual and two months estimated values. The 2003 and beyond wholesale revenue and supply costs are estimates based on Boston Edison's current forecast.

Q. Please describe Page 6, Securitization True-up.

A. This true-up adjustment as settled and approved in D.T.E. 01-78 (Phase II), reconciles the amount received by the Securitization fund from the Transition payments as reflected in the Routine True-Up Letters with the amount contributed from the Transition payments to the Securitization fund as reflected in the Transition charge true-up. This true-up shows the actual receipts into the Securitization fund from the Transition Charge (RTC Component). It does so by taking the difference between the beginning balance and the ending balance of the fund for each year (Cols. A and F), adds back payments from the fund bondholders for principal and interest (Cols. B and C), adds back fund expenses (Col. E) and subtracts interest earned by the fund (Col. D). This then shows the actual amount received by the Securitization fund from the Transition charge (Col. G). This amount is grossed up (Col. H) by the charge-off rate percentage on page 2, line (s) of the Routine True-up letter, "Annual RTC charge-offs for most recent reconciliation period (per annum)", and used in the calculation on line (q) of the Routine True-up letter. The difference between the amount of transition revenues related to the Securitization filing (Col. I) and the amount shown as collectible in the Transition Charge (Col. J) is an adjustment to the transition charge and is shown in Col. K.

Q. Please describe Page 7, Carrying Charge Adjustment due to BETG Over-Investment.

A. This one-time adjustment is in compliance with the Department's Order in D.P.U./D.T.E. 97-95. In that order the Department prescribed on pages 94 and 95 how the carrying charge adjustment on the BETG over-investment was to be calculated. Also, in accordance with the directive of the order, the $1.919 million carrying charge adjustment is excluded from the Mitigation Incentive mechanism calculation.

Q. Please describe Page 8, Everett Property Tax Credit.

A. As a result of negotiations between Boston Edison, Sithe Mystic LLC, and the City of Everett, Boston Edison assigned and transferred to Sithe Mystic LLC for $9.250 million, all rights, title and interest in and to the Claims regarding real estate tax and property tax proceedings against the Board of Assessors of the City of Everett before the Massachusetts Appellate Tax Board related to its real estate and tangible personal property located in the City of Everett for fiscal years 1984 through 1998. In negotiating the transaction, Boston Edison incurred legal costs of $1.994 million. Section 2.6 of Boston Edison's Restructuring Settlement agreement (Page 237) states "damages, costs, or net recoveries from claims by or against third parties shall include all damages, costs, or recoveries associated with Boston Edison's generating business (but excluding the Contract Customer Portion of Pilgrim costs) which accrued prior to the divestiture date and which were not assigned to Boston Edison's successor in interest, recovered from Boston Edison's insurance carriers, or the result of gross negligence". This recovery pertains to a time period prior to the divestiture of the fossil generation business. Therefore, the net proceeds of $7.256 million is being credited to the variable component of the Transition charge.

<u>Exhibit CAM-JFL-2 and COM-JFL-2</u>

Q. Please describe Exhibits CAM-JFL-2 and COM-JFL-2.

A. The purpose and format of these schedules are unique to Cambridge and Commonwealth, therefore the following explanations relate solely to Cambridge and Commonwealth's transition charge. These multi-page exhibits calculate the amount of each company's fixed component. Page 1 summarizes the calculation and the following pages serve to support the numbers on the first page. The results of this schedule are carried forward to page 3 of Exhibits CAM-JFL-1 and COM-JFL-1, as appropriate. For Cambridge, the amounts on Exhibit CAM-JFL-1 for 2002 and future years are unchanged from those filed in D.T.E. 01-79. For Commonwealth, there has been one minor change from the amounts included in

Commonwealth's initial filing in D.T.E. 01-79, which was for the inclusion of the SO_2 credit. This issue was included in Commonwealth's later supplement to that filing, and the numbers on Exhibit COM-JFL-1 are consistent with those included in the Second Supplemental D.T.E. 01-79 filing.

Since there is no change in these exhibits for this filing, other than the elimination of unneeded pre-2002 data, I will not give a detailed description of these two exhibits in my testimony today.

<u>The JFL-3 Exhibits</u>

Q. Please describe Exhibits BEC-JFL-3, CAM-JFL-3 and COM-JFL-3.

A. The JFL-3 Exhibits show how FERC-approved transmission costs are charged to the Companies' retail customers. These exhibits derive the proposed average retail transmission rate to be effective January 1, 2003, based on the current forecast for 2002 retail transmission costs used in currently effective, FERC-approved tariffs. The 2003 calculation includes a preliminary true up for 2002 retail transmission costs. The proposed Transmission Charge for the Companies, beginning on January 1, 2003, is \$0.00751 per kWh for Boston Edison, \$0.01976 for Cambridge and \$0.00517 for Commonwealth.

Q. What changes are you proposing for the Transmission Cost Reconciliation exhibit?

A. There are no significant changes from the methodology as set forth in the Companies' updated filing in last year's proceedings in D.T.E. 01-78/D.T.E. 01-79.

Q. Generally, what are the transmission costs that are included in the total retail transmission costs?

A. The retail transmission costs are those costs associated with providing Regional and Local Network transmission service to the retail class that utilize an integrated grid of transmission facilities that comprise both POOL Transmission Facilities ("PTF") and Non-PTF. The operation and control of the PTF is governed by ISO New England, Inc. (the "ISO") and the costs of the facilities are administrated as such by the ISO under the NEPOOL Transmission Tariff. The Non-PTF costs are administered under the Companies' Local Transmission Tariff.

Q. What are the individual component costs that are assessed to the retail class under the NEPOOL Transmission Tariff and under the Local Transmission Tariff?

A. Under the NEPOOL Transmission Tariff, transmission costs are assessed for Regional Network Service, Scheduling and Dispatch service at the regional level, Congestion Management, certain Phase I and II uplift expenses, system restoration and planning costs, and VAR support. Under the Local Transmission Tariff, the transmission costs that are assessed are Local Network Service and Scheduling and Dispatch service at the local level.

Q. Please describe the reasons for the increase in the proposed Transmission Charge compared to the Transmission Charge currently in effect.

A. The increase in the retail transmission rate for Boston Edison and Cambridge is largely attributable to the inclusion of a prior period under-collection. This under-collection was largely the result of these companies incurring costs for congestion management, as well as increased capital investments reflected in their cost of service rates.

Q. Does this conclude your testimony?

A. Yes, it does.